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NOTES FOR BRIEFING OF APPROPRIATIONS COMMITTEECLANDESTINE SERVICESSCOPE

1. The Clandestine Services consist of three principal substantive functions, with related supporting activities. These are:

a. FI (Foreign Intelligence), the classical spy business.

In this field the Agency is responsible for all espionage and counter-espionage outside the U.S., except for certain activities of the military services that are considered necessary for the protection of their commands.

b. PP (Covert political and psychological) activities. In this increasingly important field we attempt to influence foreign peoples and governments in support of U.S. foreign policies in such manner that the hand of the U.S. Government is not apparent. The sensitivity of foreign governments is such that covert political action to influence them is often more effective than overt measures.

c. PM (Covert paramilitary) activities, including current operations as possible and plans and preparations made in peacetime to enable the Agency to support the military in the event of general war. JCS plans and the developing plans of the CINC's contemplate a large measure of support from assets they expect this Agency to have ready if war should come.

2. The FI function came to the Agency from its predecessors under the National Defense Act of 1947 and is the oldest and most mature activity of the Clandestine Services. This function serves all agencies of the Government in obtaining information by clandestine means and is also the solid foundation of the other two functions. The operational intelligence basic to success and the protection against hostile penetration are prerequisites to specific PP or PM action. The other two functions (PP and PM) were directed by the NSC in summer of 1948 in reluctant recognition of the fact that the nation must supplement its overt foreign activities with covert measures. It was the coup in Czechoslovakia and the near loss of the Italian elections of 1948 that forced the NSC to face up to the realities of cold war as it was to be waged in the second half of the 20th Century. The FI apparatus has developed steadily while the short history of the other two functions has been subject to the most intense pressure for expansion with the result of wide fluctuation in development. In 1952 there was a degree of integration of our secret intelligence and covert operations to take advantage of similarities of techniques and common support facilities. However, extensive compartmentation of these substantive activities (from the agent net up to the staff element in Washington) is necessary for security and other reasons.

BACKGROUND

3. In 1951 under the impetus of the Korean War the DCI provided the NSC with estimates of requirements for an all out cold war effort or a similar effort in support of the military in the event of overt war. These

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estimates would have required a several-fold increase in both funds and personnel for the covert operations (PP and PM) alone not including continuing requirements for (FI) espionage and counter-espionage operations. The NSC responded with NSC 10/5 on 23 October 1951, approving in principle as a national responsibility the immediate expansion of the covert organization in accordance with the DCI's estimates. As a result of the impetus of NSC 10/5 clandestine operations, primarily political action and preparations for hot war, were expanded rapidly in FY 1952 but were still far short of the 1951 estimates.

4. Our experience in 1951 and 1952 demonstrated that a rapid expansion and intensification of operations on the order envisioned by NSC 10/5 was not profitably possible and might be risky or even unwise for the long pull of the cold war. This applied equally to PP, FI and PM activities. We found that additional money and personnel were not the sole factors involved; that the severity of Soviet bloc security controls, the dearth of capable agents to work behind the Curtain, the requirements of proper cover and documentation, and the thoroughness of our planning and preparation were in reality the limiting factors. We were reminded that prerequisites to successful PP and PM operations included counter-espionage activities against hostile security and intelligence services, the careful collection of operational or tactical intelligence on opportunities or suitable objectives, and the development of sound doctrine and techniques that will afford a reasonable chance of success when applied against the formidable Soviet bloc. Although we can report successes during the period of intensification, we learned many lessons from a pitched battle with

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an adversary having ample funds and 35 years of experience as against our less than five years. While precise figures are obviously hard to obtain, according to some estimates the Soviet Government spends as much as 25 to 30 per cent of its budget on security and intelligence. This includes expenditures for border troops and militia which, behind the Curtain, are controlled by Internal Security rather than the Defense Department. The number of persons employed full-time by the Soviet intelligence and security service has been estimated as high as six million, not including Party workers, informers and others seeking favor of the regime who are paid little or nothing. Likewise, the ideology that motivates the Communist movement and the stern discipline of its members permits our adversary to function with less reliance on financial inducement than is possible under Western standards.

REAPPRAISAL -- FOR THE LONG PULL OF COLD WAR

5. As a result of these lessons, the Agency reappraised its capacity for rapid expansion. The result was a self-imposed policy of retrenchment and cut-back in those areas where we considered that we were over-expanded. Thus, the total funds expended for Clandestine Services in FY 1953 dropped about 30% from the high of FY 1952, and ~~we~~ were still further reduced for FY 1954--See Charts. This reappraisal found both successes and failures, with all the shades in between. Like wildcat oil prospecting, there were many dry holes but the success gushers have made real contributions to our national intelligence assets and in support of our national policies. In fact, our recent gushers have more than repaid the total cost of the Clandestine Services.

(Here discuss the charts of successes and failures of FI, PP and PM operations--data furnished by Area Divisions)

Analysis of our operations shows that those carefully planned and supported over a period of time were usually successful while the unplanned, urgent one-shot operations not only usually failed, but also disrupted and even blew our careful preparations for longer range activities. This is a dangerous and difficult business--on the one hand it has tremendous capacity for supporting our foreign policies where overt action is not fully effective; conversely, it can cause great embarrassment to this Government if not employed with extreme care. We are convinced that a solid, well-planned approach, based on full analysis of our experiences and on the best doctrine and techniques, will have the best chance for success in the future.

6. Not only did our own internal analysis support a more gradual approach (as contrasted with a rapid expansion) but the more recent national policy papers emphasize building a secure apparatus to support FI, PP and PM activities for the long pull of the cold war. While the threat of early general war has receded somewhat, it is now even more clear that we must prepare now for cold war over a long period of time with special attention to the preparation of plans and development of assets to enable the Government to take quick and decisive action at some later time to accomplish its long-range objectives. In the design and building of the clandestine apparatus,

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flexibility is emphasized to permit concentration on objectives as developed by national policies. We will not overlook the need for a permanent and durable national intelligence service to continue after the cold war may subside. To this end, we will continue efforts to place undercover agents in strategic positions who may be activated at some later time when their services are most needed. Immediate operational results from this endeavor will not be apparent but the long-range value should well compensate for the effort. Special attention has been given to the development of a sound planning and programming system within the Clandestine Services to insure that our efforts are concentrated on the most important objectives of national policy at all times.

(Here present -- 10 minutes -- the charts on Planning & Programming)

AGENCY PLANS FOR FY 1955 AND BEYOND

7. The proposed budget for FY 1955 is the same as that for FY 1954. Our experience and analysis shows that we need about another year of "shakedown" to round out and gradually increase certain of the more productive activities as we gain experience in a field that is generally unfamiliar to Americans. We will still give emphasis to elimination of the causes of our failures; this requires improvement of cover, documentation and authentication facilities. The field of covert training -- where we are woefully behind the Soviets -- will be strengthened. During FY 1955 we expect to continue to lay the groundwork for a more mature and professional clandestine service to

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enable us to do more toward meeting the requirements placed on the Agency by national policies.

8. At this point it may be appropriate to mention to the Committee our tentative thinking beyond the next year. We want to continue and improve our espionage and counter-espionage capabilities. Another year of development and experience within the framework of our planning and programming system should put us in the position to do more toward meeting the scale of activity required by national policy. In the long cold war ahead the clandestine activities of this Government can play an increasingly important role -- far beyond the relative cost to the Government -- provided we have reached that stage of maturity and experience and have developed our doctrine and covert techniques to the point of real effectiveness. We want to appraise and analyze our own efforts for about another year. If, by a year from now we have continued to improve our capability, we would want to propose a modest increase in some of our most profitable type of activities.

Likewise, by that time the requirements of the Department of Defense for our wartime role in support of the Theater Commanders will be firm enough to constitute a proper basis for expanded activity. Certain countries in the Near East, South Asia, Africa and Latin America require expansion of activities to meet the developing situation. In any event, the Committee is assured that whatever we ask for in the way of funds will be within our capacity to absorb and use efficiently in the cold war.

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